



J. TYLER McCaULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 1, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: COMMUNITY EMPLOYMENT PROJECT CONTRACT REVIEW

We have completed a contract compliance review of the Community Employment Project (CEP), a Refugee Immigrant Training and Employment Program (RITE) service provider. The review was conducted as part of the Auditor-Controller's Centralized Contract Monitoring Pilot Project.

Background

The Department of Community and Senior Services (DCSS) contracts with CEP, a private, non-profit, community-based organization, to provide job training services to Vietnamese, Chinese, Russian and Armenian speaking CalWORKS recipients who have resided in the United States over five years. The types of services provided by CEP include job readiness training, career planning services and job placement. The population that CEP serves resides in the First, Third, Fourth, and Fifth Districts.

DCSS pays CEP a fixed fee for each type of service based on budgeted program costs and anticipated service levels. For Fiscal Year 2002-03, DCSS paid CEP approximately \$650,000.

Purpose/Methodology

The purpose of the review was to determine whether CEP was providing the services outlined in their County contract and maintaining proposed staffing levels. Our monitoring visit included a review of CEP's billing statements, participant case files, personnel and payroll records, and interviews with CEP staff, program participants and participant employers.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

CEP was significantly out of compliance with its contractual requirements. CEP overstated 7 (29%) of the 24 employment outcomes and 3 (60%) of the 5 job training outcomes sampled, which resulted in CEP overbilling DCSS \$3,650 out of the total \$9,350 sampled. Examples of overbillings include the following:

- Billing for placing participants in full-time jobs when the participants were already employed full-time with the same employer.
- Billing for placing participants in full-time jobs when the participants were working part-time.
- Billing for placing participants in jobs in which they are paid based on piecework (each piece they complete) rather than an hourly wage, which does not qualify as a billable condition.
- Billing for placements in which the program participants did not receive paychecks from employers that are in accordance with the California State Labor Code, as required by the contract.

Some of the overbillings appear unintentional and were based on CEP's reliance on certain documents provided by employers and program participants. It should be noted that CEP claimed that Title VI of the Civil Rights Act of 1964 prevented CEP staff from verifying the accuracy of the information provided to them by the participants and employers. However, according to the County contract, CEP is required to ensure that all documentation relating to the participants' activities are verified, reviewed for accuracy, and filed in the participants' case files. We have referred the matter to County Counsel for further review.

CEP also billed for services provided to one individual that the GAIN Employment Activity and Reporting System (GEARS) reported as ineligible to receive program services. The services provided to this individual amounted to approximately \$950.

CEP's eight Case Managers currently possess the work experience required by DCSS' contract. However, six of the eight Case Managers did not possess the required work experience at the time they were hired by CEP three to four years ago. As a result, during their first two years of employment, DCSS paid CEP for services provided by staff that did not have sufficient GAIN work experience. CEP is also required to provide RITE program services to participants in the participants' primary language. However, the Case Managers at one CEP location do not provide services to all program participants using the participants' primary language.

Review of Report

In their attached response, CEP disagreed with our findings and claimed that the findings were not specific and did not directly reference specific cases. Prior to our exit conference on February 15, 2004, we provided CEP with a listing of all our findings and the associated case numbers. On February 15, 2004, we met with the Agency's

Director and staff to discuss our draft report and to review additional documentation presented by CEP to support its billings to DCSS. At the conclusion of the meeting, the Agency's Director and staff appeared to understand the details of our findings and recommendations.

Over the following two months, CEP provided us additional documentation that they claimed supported their billings to DCSS. In most instances the documentation did not support the billings, which was explained to CEP. On April 12, 2004, we provided CEP with a copy of our final draft report and on April 27, 2004, met with the Agency's Director and staff to discuss the report. At the conclusion of the meeting, the Agency's Director and staff again appeared to understand the details of our findings and recommendations.

Due to the number of pages contained in their response, we did not attach CEP's 18 Exhibits to our report. However, copies of the Exhibits are available upon request.

We notified DCSS of the results of our review. DCSS will work with AESSC and monitor them to ensure that areas of non-compliance disclosed in this report are resolved and will report to your Board within 60 days of this report.

Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1122.

JTM:DR:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Department of Community and Senior Services
Cynthia Banks, Chief Deputy Director
Josie Marquez, Program Director
Robert Gulden, Executive Director, Community Employment Project
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**CENTRALIZED CONTRACT MONITORING PILOT PROJECT
REFUGEE IMMIGRANT TRAINING AND EMPLOYMENT PROGRAM
FISCAL YEAR 2003-2004
COMMUNITY EMPLOYMENT PROJECT**

BILLED SERVICES

Objective

Determine whether the Community Employment Project (CEP) accurately reported the outcomes of the program participants and whether the program participants were eligible to receive services. CEP is paid a fee for each specific outcome (gaining full-time and part-time employment, upgrading from part-time to full-time employment, earning an hourly wage to be self-sufficient, participating in job training instruction, etc.) that the program participants achieve during the billing period.

Verification

We selected a sample of 29 program participants and reviewed their case files for documentation to support the employment and job training outcomes that CEP reported in October and November 2003. The sample represents \$9,350 (10%) of the \$88,191 that CEP billed the County for October and November 2003.

In addition, we interviewed 27 of the 29 program participants and 22 employers to confirm the outcomes that CEP reported were actually achieved. We also reviewed the eligibility status of the 29 program participants on the GAIN Employment Activity and Reporting System (GEARS).

Results

Employment Outcomes

CEP overstated 7 (29%) of the 24 employment outcomes (part-time employment and full-time employment) which resulted in CEP overbilling the Department of Community and Senior Services (DCSS) \$2,750 out of the total \$9,350 sampled. Specifically, we noted the following:

- Two program participants that CEP reported receiving either part-time or full-time employment in October and November 2003 were returning to jobs they had previously held. According to the contract, in cases in which the participant becomes unemployed after the initial placement, and the participant is re-hired by the same employer, the contractor will not be reimbursed. However, if the participant is re-hired and employment hours are upgraded from part-time to full time, the contractor may bill for the upgrade.

One program participant stated during her interview that she worked part-time for one employer from April 2000 to February 2003. In November 2003, the participant was rehired by the same employer to work part-time. CEP billed DCSS for this placement. During our interview with the second participant, she stated that she worked for one employer from December 2002 to June 2003. From July 2003 to September 2003, the participant worked for a second employer. In October 2003, the participant returned to work with her initial employer. CEP billed DCSS for this placement.

In both cases, CEP stated that the billings were based on documents provided by the participants and that they were unaware that both participants were returning to work with previous employers. However, in both cases the information provided by the participants was also reported on GEARS which CEP staff should have reviewed prior to billing DCSS.

- Two program participants that CEP reported receiving either part-time or full-time employment in October 2003 held those jobs prior to being referred to CEP.
- One program participant that CEP reported receiving full-time employment in November 2003 has been employed by the same company since 1998. The participant stated that he has worked full-time with the employer since 1998. In addition, GEARS reported that the participant began employment with the company in May 2000.

CEP based its billing to DCSS on a completed employment verification form that they received from the participant in November 2003 that showed the participant working for a company with a different name. CEP claims that their staff were unaware that the form was submitted for only a company name change.

- One program participant that CEP reported receiving part-time employment in October 2003 is paid based on piecework (each piece they complete), rather than an hourly wage, which does not qualify as a billable condition. CEP based the billing on a completed employment verification form they received from the participant that reported the participant working 32 hours per week at \$6.75 per hour. However, both the employer and the participant acknowledged during our interviews that the participant was paid based on piecework. In addition, the participant did not receive an itemized listing with her paycheck that lists the hours worked. This condition should have alerted CEP staff to potential irregularities in the employer's payroll practices, as discussed later in the report.
- One program participant that CEP billed as a full-time employment actually works part-time. To qualify for a full-time employment, the participant needs to work on average at least 35 hours per week. A copy of a paycheck stub for November 1, 2003 to November 15, 2003 reported the participant worked 43 hours per week. However, copies of paycheck stubs for the pay periods in the months of October 2003 and December 2003 and the second pay period in November 2003

reported that the participant worked an average of 20 hours per week. In addition, the participant confirmed that he works part-time.

Job Training Outcomes

CEP overstated three (60%) of the five job training outcomes (Job Club, Case Management, Assessments, etc.) which resulted in CEP overbilling DCSS \$900 out of the total \$9,350 sampled. Specifically, three participants, that CEP billed DCSS for completing the Job Club training program, did not appropriately complete the program.

Job Club is a four week, 128 hour training program designed to increase the participant's marketability, job skills, and exposure to the job market with the purpose of placement into full-time or part-time employment. The documentation in the case files for these participants disclosed that they attended the Job Club training program for only three weeks. One participant only attended a total of 50 hours.

It should be noted that in January 2004, DCSS disallowed CEP's billing for the three Job Clubs based on documentation submitted by CEP attached to the billing that showed the participants attended an insufficient number of hours.

Participant Pay

California State Labor Code Section 226(a) requires that employers furnish each employee at the time of each payment an itemized statement in writing showing: (1) gross wages earned; (2) total hours worked for hourly wage earners; (3) all deductions; (4) net wages earned; (5) pay period; (6) the name of the employee and their social security number. In addition, the County contract requires CEP to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

Three (13%) of the 24 program participants with reported employment outcomes did not receive an itemized listing with their paychecks that reported the number of hours worked. Two of the three employers also did not withhold a portion of the participants' pay for payroll taxes. CEP billed DCSS for the placements without reviewing a valid payroll check stub to confirm the participants' employment, as required by the contract. In addition, CEP staff did not inform the participants that they are required to receive from their employers a statement with each paycheck that lists the hours worked and payroll deductions.

GEARS Activity

According to GEARS, 1 (3%) of the 29 participants sampled was not eligible to receive RITE program services. The participant's case was closed on November 30, 2002, because her job earnings exceeded the maximum amount allowed to qualify for the RITE program services. Although the case was closed, the participant was still eligible to receive transportation benefits until January 2, 2003. However, CEP continued to bill

for transportation benefits until November 2003. The services provided to the individual that GEARS reported as not eligible amounted to approximately \$950.

After informing CEP of this issue, they indicated that the participant still qualified for transportation benefits because she was enrolled in a program service called Post-Employment Services (PES). However, CEP did not update GEARS to reflect the participants' involvement in PES or provide a copy of the participant's PES contract, as required by the contract.

CEP also reimbursed one other program participant a total of \$84 for transportation expenses for August 2003 and September 2003. However, the participant was not complying with her required hours of weekly program participation and CEP should have referred the case to the Department of Public Social Services (DPSS) for non-compliance.

CEP management should ensure that DCSS is only charged for eligible services provided to individuals that qualify for program services. CEP management should also ensure that the program participants receive from their employers an itemized statement with each paycheck listing their hours worked and payroll deductions.

Recommendations

CEP management:

- 1. Only charge DCSS for eligible services.**
- 2. Only charge DCSS for services provided to individuals that qualify for program services.**
- 3. Ensure that the program participants receive from their employers an itemized statement with each paycheck listing their hours worked and payroll deductions.**

STAFFING/CASELOAD LEVELS

Objective

Determine whether CEP's caseloads are in compliance with the County contract.

Verification

We interviewed CEP's staff and reviewed CEP's timekeeping records to determine actual staffing levels, and computed the minimum staffing levels required based on the Contactor's caseload.

Results

Five of CEP's eight Case Managers' caseloads did not exceed the maximum allowed by the contract (115 cases). The remaining three Case Managers' caseloads averaged 128 cases.

CEP management needs to more closely monitor the Case Managers' caseloads to ensure the actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. If the number of cases assigned to Case Managers continues to exceed the maximum allowed by the contract, CEP needs to hire additional Case Managers.

Recommendation

4. **CEP management more closely monitor the Case Managers' caseloads to ensure the actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. If the number of cases assigned to the Case Managers continues to exceed the maximum number allowed by the contract, CEP hire additional Case Managers.**

STAFFING QUALIFICATIONS**Objective**

Determine whether CEP's staff meets the qualifications required by the County contract.

Verification

We interviewed CEP's staff and reviewed their personnel files for documentation to confirm their qualifications. The contract requires that Case Managers either possess a four-year college degree, an AA degree and two years of caseload experience, an AA degree and two years of employment counseling experience, or two years of employment counseling experience in a GAIN environment. Achievement of Junior class standing in an accredited college may be substituted for an AA degree provided other training or experience requirements are met.

Results

CEP's eight Case Managers currently possess the work experience required by DCSS' contract. The Case Managers average between three to four years experience providing services in a GAIN environment. However, six of the eight Case Managers did not possess the required work experience at the time they were hired by CEP three to four years ago. As a result, during their first two years of employment, the County paid CEP for services provided by individuals that did not meet the contract requirements. The Department of Public Social Services (DPSS) needs to ensure that

the GAIN contractors' staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

DCSS's contract requires CEP to provide program services in the participant's primary language. However, program participants do not always receive services in their primary language. The three Case Managers at CEP's Hollywood location stated that they each have an average of 28 program participants that the Case Managers can not provide services to in the participants' primary language. The Case Managers stated that they provide services to the participants in English or arranged to have Case Managers from other CEP locations, who speak the primary language of the participants, to communicate with them by telephone.

CEP management needs to hire Case Managers with the education and work experience as required by DCSS' contract and ensure the Case Managers are able to communicate with their participant caseloads in the participants' primary language, as required by the DCSS contract.

Recommendations

5. **DPSS management ensure that the GAIN contractors' staff possess the required work experience prior to being hired to perform case management in a GAIN environment.**
6. **CEP management ensure the Case Managers are able to communicate with their participant caseloads in the participants' primary language, as required by the DCSS contract.**

SERVICE LEVELS

Objectives

Determine whether CEP's reported services for Fiscal Year (FY) 2003-04 significantly varied from planned services levels.

Verification

Review DCSS' Annual Service Level Assessment report for FY 2003-04 and CEP's proposed service levels for the same period.

Results

We attempted to review CEP's ability to achieve planned service levels. However, DCSS could not provide us with the projected service levels used to allocate funding to CEP. In the future, DCSS needs to maintain the documentation used to establish the planned service levels of their program contractors.

Recommendations

There are no recommendations in this section.

OTHER ISSUES

As reported above, CEP staff based many of its employment outcome billings on documents provided to them by the program participants and employers. CEP reported that Title VI of the Civil Rights Act of 1964 (Title VI) prevents them from verifying the accuracy of information provided to them by the program participants and employers. Title VI requires that publicly funded projects, such as the RITE program, accept all documents received from program participants and presume the documents are authentic and legitimate, if they appear genuine on their face and related to the individual.

According to the County contract, CEP is required to ensure that all documentation relating to the participants' activities are verified, reviewed for accuracy, and filed in the participants' case files. We have referred the matter to County Counsel to determine the appropriateness of CEP's comments.

Community Employment Project, Inc.

A Community-Based Non-Profit Corporation

May 13, 2004

To: J. Tyler McCauley, Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

**Re: CEP's Response to the Results of the Review by the County of Los Angeles
Department of Auditor-Controller**


Dear Mr. McCauley:


Community Employment Project, Inc. (CEP) specifically denies all of the overcharges alleged by the County of Los Angeles Department of Auditor-Controller (AC) in the draft of their report covering the review of CEP's performance of its RITE contract with the Department of Community and Senior Services of Los Angeles County (DCSS). It is CEP's position that all of the disputed charges were made in accordance with the RITE contract, and the rules, regulations and procedures from RITE related directives from either DCSS or the Department of Public Social Services of Los Angeles County (DPSS). It is CEP's contention that the Auditors employed a twisted misinterpretation of the facts to support their erroneous overcharging conclusions. The Auditors unfamiliarity with CEP's RITE contract as was administered by the Department of Community and Senior Services of Los Angeles County (DCSS) and the RITE program rules, regulations and procedures obviously contributed to their confused and erroneous conclusion. It also appears that the Auditors' eagerness to show they were doing something contributed to their erroneous conclusions. The AC appears to have conducted this audit with limited support or input from DCSS. During CEP's last meeting with the AC, DCSS was not even present. However, DPSS and the AC was well represented.


It is very difficult for CEP to reply to this Auditor's draft of the Auditor's Report because the draft of the report given to CEP merely contains conclusionary figures with generalized negative comments to back up the conclusionary figures without direct reference to specific cases and amounts of overcharging. The draft report does refer to an unspecified attachment which CEP assumes to be the attachment entitled "Billed Services" that was attached to the draft report CEP received, copy attached. CEP therefore refers to the itemized allegation in their document entitled "Billed Services" to specifically show that all of its charges were in accordance with CEP's contract with the DCSS and the rules, regulations and procedures of the RITE program under which CEP was operating.

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AUDITOR CLAIMS

CEP overstated 7 (29%) of the 24 employment outcomes (part-time employment and full-time employment) which resulted in CEP over billing the Department of Community and Senior Services (DCSS) \$2,750 out of the total \$9,350 sampled. Specifically, we noted the following:

Two program participants that CEP reported receiving either part-time or full-time employment in October and November 2003 were returning to jobs they had previously held. According to the contract, in cases in which the participant becomes unemployed after the initial placement, and the participant is re-hired by the same employer, the contractor will not be reimbursed. However, if the participant is re-hired and employment hours are upgraded from part-time to full time, the contractor may bill for the upgrade. [REDACTED]

One program participant stated during her interview that she worked part-time for one employer from April 2000 to February 2003. In November 2003, the participant was rehired by the same employer to work part-time. CEP billed DCSS for this placement. During our interview with the second participant, she stated that she worked for one employer from December 2002 to June 2003. From July 2003 to September 2003, the participant worked for a second employer. In October 2003, the participant returned to work with her initial employer. CEP billed DCSS for this placement.

In both cases, CEP stated that the billings were based on documents provided by the participants and that they were unaware that both participants were returning to work with previous employers. However, in both cases the information provided by the participants was also reported on GEARS which CEP staff should have reviewed prior to billing DCSS.

THE ACTUAL FACTS (CEP's Response)

In the Auditor's first allegation of overcharging, the Auditor claimed CEP improperly charged for a placement when participants returned to jobs they previously held. Neither CEP's RITE contract with the County nor any of the rules, regulations and procedures of the RITE program prohibit CEP from charging when one of its unemployed participants return to a job they previously held.

[REDACTED] In fact, preparing and directing participants to apply for jobs with former employers is one of the most effective ways of getting a welfare participant quickly employed. What is prohibited in the contract is double-dipping unless there is an upgrade in hours of employment. Double-dipping means billing the County twice for a placement with the same employer with no upgrade in wages nor a change from part-time to full-time.

In every one of these cases, CEP billed the County only once. In each of these cases, the charges referred to by the Auditors are erroneous based on faulty conclusions that these placements were billed twice to the RITE contract. There is nothing improper with the charges CEP billed the County for. The Auditor apparently didn't know the facts of these

THE ACTUAL FACTS *(continued)*

cases or didn't read the terms of the contract carefully. CEP therefore refers to the itemized allegation in their document entitled "Billed Services" to specifically show that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

In the [REDACTED] matter, this participant was not billed for the initial placement with the company she had worked for. She was referred to CEP as an unemployed RITE participant who was receiving public assistance. She was encouraged to find employment as soon as possible, which she did. In addition, CEP had no knowledge of her prior work for that company. Please refer to **Exhibit 1, pages 17-19**, where her employer stated that her date of hire was **11/3/03** and her first date of employment with that company was 11/3/03. This was a legal charge within the terms of the contract, and I once again make the point that none of the documents CSS requires RITE providers to support a placement outcome claim, even asks the employee or the employer if the employee has ever previously worked for that company.

In the [REDACTED] matter, it is CEP's understanding based on the information that the company Mrs. Huynh previously worked for, with a similar name, was owned by a different owner and was in no way affiliated, legally or otherwise, with her present employment. Please refer to **Exhibit 2 pages 20-22**, where her employer stated that her date of hire was **10/02/03** and her first date of employment with that company was 10/02/03. It is CEP'S position that this was a legal claim within the terms of the contract. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

AUDITOR CLAIMS

Two program participants that CEP reported receiving either part-time or full-time employment in October 2003 held those jobs prior to being referred to CEP. [REDACTED]
[REDACTED]

THE ACTUAL FACTS

In the second alleged incident of overcharging, the Auditor claimed CEP improperly charged for two participants that were employed **prior** to being referred to CEP [REDACTED]
[REDACTED]. These participants were part of a group of participants who were referred to CEP from the Long Beach City College RITE Program when Long Beach City College elected to shut down their RITE Program. With great difficulty, CEP took all these referred or

THE ACTUAL FACTS (continued)

transferred participants who were already in different stages of the RITE program. CEP took the good with the bad with the understanding we could make all proper charges with respect to each RITE participant. In evaluating these two participants, it was determined that they had become employed during the time Long Beach City College was shutting down their RITE program, and Long Beach City College had not charged for their placement. It is CEP'S position that under the understanding (Please refer to **Exhibit 3, pages 23-25,**) we took over these referred participants, CEP could properly charge for these placements.

Your **second negative remarks** charging that CEP improperly charged or billed for a placement after the Orientation pay-point for what was actually a Pre-Orientation employment regarding [REDACTED] This negative comment was caused by the Auditors not being aware that DCSS had already addressed this issue through a letter by Adine Forman, Acting Program Manager, Office of Refugee Assistance and GROW of Community and Social Services of Los Angeles County, (Please refer to **Exhibit 3, pages 23-25**) instructing CEP what to do with these participants and which was also submitted as part of CEP's previous responses. These participants were part of a group of participants who were referred to CEP from the Long Beach City College RITE program when the Long Beach City College shut down their RITE program. These participants had previously received Orientation at Long Beach City College and then they were referred to CEP as continuing transitional cases not requiring new Orientation by CEP. I quote from the letter dated 7/25/03 from Adine Forman, paragraph 3: "*The remaining cases in your new referral cabinet should be the transition cases from CSS. . . . These participants are not required to attend orientation.*" In fact, CEP was told that it could not bill for placements prior to orientation for these transfers because there was no break in service and that their Orientation had already taken place at Long Beach City College. It is CEP'S position that their placements were properly billed as Post-Orientation placements. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

AUDITOR CLAIMS

One program participant that CEP reported receiving full-time employment in November 2003 has been employed by the same company since 1998. The participant stated that he has worked full-time with the employer since 1998. In addition, GEARS reported that the participant began employment with the company in May 2000. [REDACTED]

CEP based its billing to DCSS on a completed employment verification form that they received from the participant in November 2003 that showed the participant working for a

AUDITOR CLAIMS (continued)

company with a different name. CEP claims that their staff were unaware that the form was submitted for only a company name change.

THE ACTUAL FACTS

In the third alleged incident, the Auditors claim CEP improperly overcharged for the placement of a RITE program participant who had been employed by the same company since 1998. [REDACTED]. The procedures of the RITE Program includes a provision were certain forms such as the Verification of Employment are to be filled out by a participant's employer to assure employment has taken place (Please refer to **Exhibit 4, pages 26 and 27**). It is submitted that CEP is allowed to deal in good faith on the procedures set up by the RITE Program, as well as the sworn documents CEP receives from a participant's employer, and that a charge made in good faith on that documentation is not overcharged. CEP has no past or present information that indicates these corporations are not different corporations and that the sworn documentation is incorrect. The problem here is that the Auditor probably based his allegation on oral communication with a nervous participant who probably didn't understand the Auditor, and simply said he had worked at some of the same gas stations since 1998. That participant probably doesn't know what legal entity he is working for.

Please refer to **Exhibit 4, pages 26 & 27**, to show the Verification of Employment of 12/5/02 from the NASA Oil Corp. in Encino, California indicating that [REDACTED] was first employed on 10/1/02, Please also see **Exhibit 5, pages 28 & 29**, for proof of employment from a Verification of Employment form completed by Gas Prom, Inc. 76" of Los Angeles stating Mr. [REDACTED]'s hire date as 7/01/03 and the first date of employment as 7/1/03. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

AUDITOR CLAIMS

One program participant that CEP reported receiving part-time employment in October 2003 is paid based on piecework (each piece they complete), rather than an hourly wage, which does not qualify as a billable condition. CEP based the billing on a completed employment verification form they received from the participant that reported the participant working 32 hours per week at \$6.75 per hour. However, both the employer and the participant acknowledged during our interviews that the participant was paid based on piecework. In addition, the participant did not receive an itemized listing with her paycheck that lists the hours worked. This condition should have alerted CEP staff to potential irregularities in the employer's payroll practices, as discussed later in the report. [REDACTED]

THE ACTUAL FACTS

In the **fourth** incident, the Auditors claim CEP improperly over charged for the placement of a participant in a piece-work job. Again, CEP points out that the RITE Program established rules, regulations and procedures to be followed by the contractor, and CEP contends that a billing made in good faith relying on those rules, regulations and procedures is not an overcharge. In this case, the participant signed a declaration through a DPSS Affidavit Form PA853 that she was working thirty-two hours per week at \$6.75 per hour (Please refer to **Exhibit 6, pages 30-33**), and the participant also gave a written declaration on the same form refusing to let CEP contact her employer or get an Employment Verification from her employer. Please also refer to **Exhibit 7, page 34-39**, for the Statement of Work, Exhibit C, from the RITE contract Work Statement, page 2, subparagraph J, that states the following:

"The following exceptions apply, but are not limited to, when ; 1) The participant has compelling reason to abstain from submitting a written Verification of Employment signed by the employer (e.g., disclosing participation in welfare to work activities to an employer who jeopardizes the participant employment status) _____ Should exceptions apply, the contractor must ensure that the participant completed a written statement and signed the affidavit (PA 853 Form) to justify the absence of employer's signature on the Employment Verification Form."

Under the RITE program procedure, a participant has the option to refuse employer verification on grounds the employer might not want to employ a welfare recipient. CEP made all the investigation and verifications it legally could under the rules (Please refer to **Exhibit 18, pages 88 & 89**), regulations and procedures of the RITE Program, CEP should not be charged with overcharging when CEP had done everything to verify the charge. In fact, the Auditors violated the rules, regulations and procedures of the RITE program when they contacted the participant's employer. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

AUDITOR CLAIMS

One program participant that CEP billed as a full-time employment actually works part-time. To qualify for a full-time employment, the participant needs to work on average at least 35 hours per week. A copy of a paycheck stub for November 1, 2003 to November 15, 2003 reported the participant worked 43 hours per week. However, copies of paycheck stubs for the pay periods in the months of October 2003 and December 2003 and the second pay period in November 2003 reported that the participant worked an average of 20 hours per week. In addition, the participant confirmed that he works part-time. [REDACTED]

CEP claimed that they are entitled to bill DCSS for the full-time placement because the participant worked more than 35 hours per week during a two-week period. However, CEP staff should have confirmed the full-time placement with the participant prior to billing DCSS.

THE ACTUAL FACTS

In the fifth incident, the Auditors claim CEP improperly over-charged for a full-time placement of a RITE participant who was working part time [REDACTED]. During the month of November 2003, according to copies of his pay check and Employment Verification form submitted to CEP (Please refer to **Exhibit 8, pages 40-42**), the participant worked 87 hours. The pay stub reflected an average of 43.5 hours plus worked per week. 35 hours per week qualifies as full-time employment as per the RITE contract for a two-parent family. According to the RITE contract, rules and regulations, CEP had to file its claim before 12/15/03, which in fact CEP did. In accordance with the terms of the RITE contract, at the time when CEP began the process of billing the County, CEP was required and in fact filed the participant's most recent employment pay stub and Verification of Employment that indicated that the participant was in fact working in full-time employment, therefore CEP's charge was correct. Please refer to **Exhibit 8, pages 40-42**, for the following documents:

1. Verification of Employment
2. Pay stub
3. RITE contract, Statement of Work, Exhibit C, from the Work Statement, page 4, subparagraph E

The RITE contract, Statement of Work, Exhibit C, from the Work Statement, page 4, subparagraph E states the following:

"If the CONTRACTOR places a participant in a part-time or full-time employment the CONTRACTOR shall bill for that part-time or full-time placement by the 15th of the following month"

The fact that this employment later became part-time is immaterial to CEP's initial billing. The RITE contract is a fixed-unit priced contract. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

AUDITOR CLAIMS

Job Training Outcomes

CEP overstated three (60%) of the five job training outcomes (Job Club, Case Management, Assessments, etc.) which resulted in CEP over billing DCSS \$900 out of the total \$9,350 sampled. Specifically, three participants, that CEP billed DCSS for completing the Job Club training program, did not appropriately complete the program. [REDACTED]

Job Club is a four week, 128 hour training program designed to increase the participant's marketability, job skills, and exposure to the job market with the purpose of placement into full-time or part-time employment. The documentation in the case files for these participants disclosed that they

AUDITOR CLAIMS (continued)

attended the Job Club training program for only three weeks. One participant only attended a total of 50 hours. It should be noted that in January 2004, DCSS disallowed CEP's billing for the three Job Clubs based on documentation submitted by CEP attached to the billing that showed the participants attended an insufficient number of hours.

THE ACTUAL FACTS

There were no overcharges for job training. Based upon job training attendance records submitted by CEP to DCSS had already determined that these three participants [REDACTED] did not have sufficient attendance in Job Club for a billable outcome. This determination was made **prior** to the Auditor's review. Please refer to **Exhibit 9, pages 43-45**, which is a letter from DCSS dated 1/8/04, entitled "October 2003 RITE Invoice – Disallowed Costs", reflecting that based on the submitted attendance records, DCSS disallowed these charges prior to the Audit. CEP never received payment for these charges. CEP management will ensure that in the future that charges to DCSS are only for eligible services. Therefore CEP contends that the overcharges were never uncovered as a result of the audit by the Auditor-Controller.

AUDITOR CLAIMS

Participant Pay

California State Labor Code Section 226(a) requires that employers furnish each employee at the time of each payment an itemized statement in writing showing: (1) gross wages earned; (2) total hours worked for hourly wage earners; (3) all deductions; (4) net wages earned; (5) pay period; (6) the name of the employee and their social security number. In addition, the County contract requires CEP to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

Three (13%) of the 24 program participants with reported employment outcomes did not receive an itemized listing with their paychecks that reported the number of hours worked. Two of the three employers also did not withhold a portion of the participants' pay for payroll taxes. CEP billed DCSS for the placements without reviewing a valid payroll check stub to confirm the participants' employment. In addition, CEP staff did not inform the participants that they are required to receive from their employers a statement with each paycheck that lists the hours worked and payroll deductions. [REDACTED]

THE ACTUAL FACTS

CEP staff did in fact inform all of our RITE participants that they are required to receive from their employers a statement with each paycheck that lists the hours worked and payroll deductions. In fact, in the event an employer uses a wage system that does not

THE ACTUAL FACTS (continued)

include the itemization of wages earned, tax deductions, net wages earned, etc, the RITE participant must complete the RITE Supplemental Information For Employment Verification which clearly instructs the RITE participant of its obligation to report any earned income to government agencies for tax purposes, unless exempted from income taxes (Please refer to **Exhibit 10, pages 46-49**, for a copy of the RITE Supplemental Information For Employment Verification form for [REDACTED] This form states the following;

"NOTICE OF INCOME TAX RESPONSIBILITY

(For a participant use only when a copy of a paycheck stub does not indicate income tax withholdings or participant is self employed.)"

With regards to [REDACTED] CEP once again contends that a billing made in good faith relying on those rules, regulations and procedures is not an overcharge. In this case, the participant signed a declaration through a DPSS Affidavit Form PA 853 that she was working thirty-two hours per week at \$6.75 per hour (Please refer to **Exhibit 6, pages 30-33**), and the participant also gave a written declaration on the same form refusing to let CEP contact her employer or get an Employment Verification from her employer. Please also refer to **Exhibit 7, pages 34-39**, for the Statement of Work, Exhibit C, from the RITE contract Work Statement, page 2, subparagraph J, that states the following:

"The following exceptions apply, but are not limited to, when ; 1) The participant has compelling reason to abstain from submitting a written Verification of Employment signed by the employer (e.g., disclosing participation in welfare to work activities to an employer who jeopardizes the participant employment status) _____ Should exceptions apply, the contractor must ensure that the participant completed a written statement and signed the affidavit (PA 853 Form) to justify the absence of employer's signature on the Employment Verification Form."

Under the RITE program procedure, a participant has the option to refuse employer verification on grounds the employer might not want to employ a welfare recipient. CEP made all the investigation and verifications it legally could under the rules, regulations and procedures of the RITE Program, CEP should not be charged with overcharging when they had done everything they could to verify the charge. In fact, the Auditors violated the rules, regulations and procedures of the RITE program when they contacted the participant's employer. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

With regards to [REDACTED] Please refer to (**Exhibit 11, pages 50-51**) for a copy of the RITE Employment Verification form for [REDACTED] CEP relied on this form to bill the county for this placement. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

AUDITOR CLAIMS

GEARS Activity

According to GEARS, 1 (3%) of the 29 participants sampled was not eligible to receive RITE program services. The participant's case was closed on November 30, 2002, because her job earnings exceeded the maximum amount allowed to qualify for the RITE program services. Although the case was closed, the participant was still eligible to receive transportation benefits until January 2, 2003. However, CEP continued to bill for transportation benefits until November 2003. The services provided to the individual that GEARS reported as not eligible amounted to approximately \$950. [REDACTED]

After informing CEP of this issue, they indicated that the participant still qualified for transportation benefits because she was enrolled in a program service called Post-Employment Services (PES). However, CEP did not update GEARS to reflect the participants' involvement in PES or provide a copy of the participant's PES contract, as required by the contract.

CEP also reimbursed one other program participant a total of \$84 for transportation expenses for August 2003 and September 2003. However, the participant was not complying with her required hours of weekly program participation and CEP should have referred the case to the Department of Public Social Services (DPSS) for non-compliance. [REDACTED]

When informed of this issue, CEP provided documentation indicating that CEP referred the case to DPSS for non-compliance proceedings in October 2003. However, CEP should have referred the participant in August 2003, as required by the contract.

CEP management should ensure that DCSS is only charged for eligible services provided to individuals that qualify for program services. CEP management should also ensure that the program participants receive from their employers an itemized statement with each paycheck listing their hours worked and payroll deductions.

THE ACTUAL FACTS

Please see **Exhibit 12, pages 52-53**, "RITE PROGRAM Policy Alert A01-09" dated May 10, 2001, signed by Josie Marquez, Refugee Program Manager. It states

"Additionally, DPSS has recently received clarification from the State that employed former CalWORKs participants can receive Post Employment Services (PES) for one year from the date of CalWORKs termination due to employment. Previously, the State advised that former participants could only receive PES for one year from the date of employment":

Mrs. [REDACTED] CalWORKs was terminated on 11/30/02 (please also see **Exhibit 13, pages 54-59**, for a ICAS screen printout dated 11/17/03) showing that the participant was eligible until 11/30/03.

THE ACTUAL FACTS (continued)

Her GAIN Supportive Services was terminated on 11/17/03 and case closed on 11/18/03 in accordance with the RITE PROGRAM Policy Alert A01-09. Please also refer to **Exhibit 14, pages 60-62**, which pertains to Exhibit C of the RITE contract which states the following:

“CONTRACTOR shall make Post-Employment services available for current CalWORKs cash recipients. Former CalWORKs recipients are eligible for Post Employment Services up to 12 months from the time that their cash aid was terminated.”

Based on the copy of the 2003-2004 RITE Contract, Statement of Work, II, RESPONSIBILITY OF CONTRACTOR, Paragraph C. CEP makes the case that this case is eligible to receive PES in accordance with RITE Program Policy Alert A01-09. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

██████████ was referred for Noncompliance during those two months. Please see **Exhibit 15, pages 63-75**, for a copy of the LA County – DPSS GAIN Program Hand Book that states in Paragraph 1222.11, **Payments – Special Circumstances .111 Payment During Compliance Proceedings:**

- a. **Payment Prior To Sanction.** *If a participant problem occurs, transportation payments are to continue through the case determination and compliance process if the participant continues to participate. If the participant has stopped participating, transportation payment is to cease providing a timely notice is issued. CEP contends that this participant continued to participate.*
- b. **Payment Policy Upon Sanction.** *Transportation payments are not issued after the mailing date of the GN 6001-5, Notice of Change – Sanction Recommendation.*

In accordance with DPSS Policy, all participants are entitled to full benefits during noncompliance procedures. Participants will only lose their benefits once it has been determined that the participant has no good cause.

CEP contends that the participant was still not sanctioned by GAIN, please refer to **Exhibit 15, pages 63-75**. The participant was also participating in GAIN and therefore still eligible to receive transportation payments for the two months in question. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating.

Recommendations

CEP management:

1. Only charge DCSS for eligible services.
2. Only charge DCSS for services provided to individuals that qualify for program services.
3. Ensure that the program participants receive from their employers an itemized statement with each paycheck listing their hours worked and payroll deductions.

CEP's Response

1. CEP will ensure that charges to DCSS are only for eligible services.
2. CEP will also further ensure to charge DCSS only for services provided to individuals that qualify for RITE program services.
3. CEP will make every effort to prioritize that RITE program participants receive from their employers an itemized statement with each paycheck listing their hours worked and payroll deductions. In the event an employer cannot provide an itemized statement, CEP will exercise the other provisions allowed under the RITE contract such as the DPSS Affidavit Form PA 853.

AUDITOR CLAIMS

Staffing/Caseload Levels

Five of CEP's eight Case Managers' caseloads did not exceed the maximum allowed by the contract (115 cases). The remaining three Case Managers' caseloads averaged 128 cases. [REDACTED]

CEP management needs to more closely monitor the Case Managers' caseloads to ensure the actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. If the number of cases assigned to Case Managers continues to exceed the maximum allowed by the contract, CEP needs to hire additional Case Managers.

THE ACTUAL FACTS

CEP management closely monitors Case Managers' caseloads to ensure the actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. During the month of April 2004, the number of RITE cases assigned to CEP's Case Managers are below the 115 cases threshold. Please refer to **Exhibit 16, pages 76-84**.

Recommendation

4. CEP management more closely monitor the Case Managers' caseloads to ensure actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. If the number of cases assigned to the Case Managers continues to exceed the maximum number allowed by the contract, CEP hire additional Case Managers.

CEP's Response:

4. CEP management will ensure that it will more closely monitor the Case Managers' caseloads to ensure actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. If the number of cases assigned to the Case Managers continues to exceed the maximum number allowed by the contract, CEP will hire additional Case Managers.

AUDITOR CLAIMS

Staffing Qualifications

CEP's eight Case Managers currently possess the work experience required by DCSS' contract. The Case Managers average between three to four years experience providing services in a GAIN environment. However, six of the eight Case Managers did not possess the required work experience at the time they were hired by CEP three to four years ago. As a result, during their first two years of employment, the County paid CEP for services provided by individuals that did not meet the contract requirements. The Department of Public Social Services (DPSS) needs to ensure that the GAIN contractors' staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

[REDACTED]

DCSS's contract requires CEP to provide program services in the participant's primary language. However, program participants do not always receive services in their primary language. The three Case Managers at CEP's Hollywood location stated that they each have an average of 28 program participants that the Case Managers can not provide services to in the participants' primary language. The Case Managers stated that they provide services to the participants in English or arranged to have Case Managers from other CEP locations, who speak the primary language of the participants, to communicate with them by telephone.

CEP management needs to hire Case Managers with the education and work experience as required by DCSS' contract and ensure the Case Managers are able to communicate with their participant caseloads in the participants' primary language, as required by the DCSS contract.

Auditor-Controller Recommendations

5. DPSS management ensure that the GAIN contractors' staff possess the required work experience prior to being hired to perform case management in a GAIN environment.
6. CEP management ensure the Case Managers are able to communicate with their participant caseloads in the participants' primary language, as required by the DCSS contract.

CEP's Response

5. CEP management will ensure that all RITE staff possess work experience prior to being hired to perform case management in a GAIN environment.
6. CEP management will also ensure that all RITE Case Managers communicate with their participant caseloads in the participants' primary language, as required by the DCSS contract. In the event that the Case Manager cannot communicate in the participant's primary language, CEP will ensure that a translator will be used in accordance with the Title VI of the Civil Rights Act of 1964, HHS, OCR-Civil Rights Laws and Welfare Reform Overview (Please refer to **Exhibit 17, pages 85-87**), . CEP maintains that persons with limited English proficiency were afforded a meaningful opportunity to participate in the RITE/GAIN program. The opportunity for translation is not limited to a Case Manager. Other CEP translators can be used provided that the service is free of charge and convenient for the RITE participant.

AUDITOR CLAIMS

Service Levels

We attempted to review CEP's ability to achieve planned service levels. However, DCSS could not provide us with the projected service levels used to allocate funding to CEP. In the future, DCSS needs to maintain the documentation used to establish the planned service levels of their program contractors.

Recommendation

There are no recommendations for this section.

THE ACTUAL FACTS

No response needed.

OTHER ISSUES

As reported above, CEP staff based many of its employment outcome billings on documents provided to them by the program participants and employers. CEP reported that Title VI of the Civil Rights Act of 1964 (Title VI) prevents them from verifying the accuracy of information provided to them by the program participants and employers. Title VI requires that publicly funded projects, such as the RITE program, accept all documents received from program participants and presume the documents are authentic and legitimate, if they appear genuine on their face and related to the individual.

OTHER ISSUES (continued)

However, according to the County contract, CEP is required to ensure that all documentation relating to the participants' activities are verified, reviewed for accuracy, and filed in the participants' case files. We have referred the matter to County Counsel to determine the appropriateness of CEP's comments.

CEP's CLOSING STATEMENT

If the Auditor files or submits a report of its review of CEP, CEP requests that this reply together with the attached exhibits be filed or submitted along with the Auditor's report. If changes are made to the draft report other than elimination of claimed over-charges, CEP requests an opportunity to reply to any changes. CEP will supply any concerned County employee or official with detailed documentation of facts referred to in this reply, and the Contract and RITE Program's rules, regulations, and procedures relied upon by CEP.

It must be noted that CEP was required to conduct RITE services in accordance with **Title VI of the Civil Rights Act of 1964**. (Please see **Exhibit 17, pages 85-87**), for examples of what not to do. Therefore, CEP was required not to question the authenticity of documents submitted by limited English proficient RITE participants, in support of an program outcome, in the absence of independent evidence to warrant such inquiry. To clarify, if submitted documents appear authentic CEP must assume that it is accurate. Title VI of the Civil Rights Act of 1964 requires that public funded projects such as the RITE program accept all documents received from RITE participants should be presumed to be authentic and legitimate, if they appear genuine on their face and relate to the individual (Please see **Exhibit #18, pages 88-89**). Submitted documents that are incomplete or appear to be suspicious will not be used to support a claim against the County. CEP therefore contends that all of its charges were in accordance with CEP's contract with the County and the rules, regulations and procedures of the RITE program under which CEP was operating and in the spirit of the Title VI of the Civil Rights Act of 1964.

CEP was provided two opportunities to meet personally with the AC office staff to respond to the audit findings. For the most part, the Auditor Controller staff were professional. However, during our last meeting in Alhambra, one of the representatives from the Auditors Controller office, verbally accused CEP management of intentionally hiring unqualified RITE staff for the purpose of willfully providing substandard service to RITE participants. CEP stands by our contention that we believed all along that we had qualified staff operating the RITE program. The staff from the Auditor Controller office allowed the accusatory attacks to continue. Staff from both the Auditor Controller and DPSS witnessed the accusatory manner in which CEP management staff were addressed. CEP's Executive Director was told by a representative from the Auditor Controller office that the individual doing the attacking is a Consultant for the Auditor Controller office. If this person was allowed to speak in this manner than CEP concludes that the Auditor Controller office has already prejudged the motives of CEP which unfortunately reinforced our contention and concern that the Auditor Controller's approached to this audit was already tainted by preconceived conclusions.

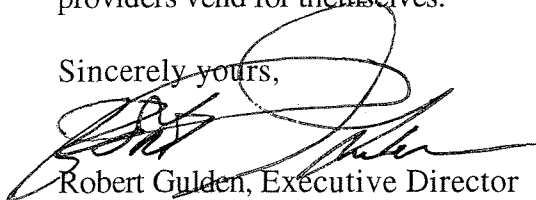
CEP's CLOSING STATEMENT (continued)

The Auditor Controllers clearly were never informed about the humble beginnings of RITE. Here is a quick snap shot of what really happened:

1. Started in 1998.
2. The RITE program was handed on a "silver platter" to Refugee Employment Program providers without going through a RFP process simply because we already had staff that could speak many languages.
3. Initially, we knew nothing about the GAIN program when the RITE program started..
4. Initially, CSS also knew nothing about the GAIN program.
5. We had to hire additional staff to meet the demand of the participant flow that we were expecting to serve.
6. RITE providers literally had to secure facilities to conduct mass Orientation to hundreds of RITE participants in order to move them into GAIN/RITE.
7. Literally thousands were moved into GAIN on a monthly basis enabling the County to meet it's statutory deadlines to move a certain amount of RITE participants into GAIN resulting in the County receiving additional incentive money from both the Feds and the State. .
8. It took 2 years before DPSS even provided CEP with GEARS computers.
9. DPSS provided the following training to all RITE staff:
 - a. GAIN Induction Training
 - b. GEARS Training
10. The RITE program has been administered by (5) different administrators from CSS since 1998. Current CSS administrators are not familiar with the policies CSS used to provide guidance to RITE providers with respect to RITE implementation.

CEP's implementation of the RITE program is based on both the RITE contract and policies handed down to CEP from CSS from 1998 until the present time. The rationale used in our response to these findings could have been verified by CSS. If it wasn't for the numerous changes in RITE program oversight within CSS, CEP feels that CSS would have demonstrated a strong commitment in providing the Auditor Controllers with the information needed to assist in determining whether CEP did in fact complied with both the RITE contract and RITE policies. However, CSS has appeared to let RITE providers vend for themselves.

Sincerely yours,



Robert Gulden, Executive Director

Cc: J. Tyler McCauley, Director, Auditor-Controller
Stephen Glazer, Dept. of Auditor Controller
James F. Doak, Attorney At Law